

DW 01-204

**HAMPSTEAD AREA WATER COMPANY, INC.
WALNUT RIDGE WATER COMPANY, INC.
LANCASTER FARM WATER COMPANY, INC.**

Petition for Approval of Merger

Prehearing Conference Order

O R D E R N O. 23,864

December 7, 2001

APPEARANCES: Robert H. Fryer, Esquire, for the Companies, and Lynmarie Cusack, Esquire, for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On October 10, 2001, Hampstead Area Water Company, Inc. (HAWC), Walnut Ridge Water Company, Inc. (Walnut), and Lancaster Farm Water Company, Inc. (Lancaster) (the Petitioners), filed with the New Hampshire Public Utilities Commission (Commission) a request for an Order pursuant to RSA 374:30, to transfer the assets and liabilities of Walnut and Lancaster to HAWC.

On October 13, 2001, the Commission issued an Order of Notice scheduling a Prehearing Conference to be followed by a Technical Session. The Order of Notice also required intervention requests to be filed prior to the Prehearing Conference. The Prehearing Conference was held on November 28, 2001, with only Staff and the Petitioners appearing, as no requests for intervention were filed.

II. PRELIMINARY POSITIONS OF THE PARTIES AND STAFF

A. The Companies

The Petitioners indicate that HAWC, Walnut and Lancaster have entered into a "Consolidated Merger Agreement" under which Lancaster and Walnut will be merged into HAWC. HAWC will carry on as the surviving corporation should the petition be approved. The Petitioners further indicate that the holders of all outstanding stock in all three corporations will remain the same, that the corporations providing water service are franchised within those respective areas currently being served, and that the tariffs for each corporation will remain in effect for those customers currently being served by the respective water companies until such time as any change is approved by the Commission.

In support of their request, the Petitioners aver that the merger would result in a stronger financial position for the Companies by pooling the assets, strengthening financing ability, and increasing cash flow of each of the existing systems. Moreover, the Petitioners assert that the merger would benefit the petitioners by lessening administrative costs associated with annual filing fees to the New Hampshire Secretary of State, New Hampshire Department of Revenue, U.S. Treasury, and other agencies. The Petitioners contend that the public would also benefit by an improved ability of each present operation to meet anticipated increases in water quality and operational standards

and ease of anticipated future interconnection between Walnut's and HAWC's systems, the lines of which are in close enough proximity to make it feasible to interconnect them.

In addition, the Petitioners anticipate requesting a core or base rate similar to that of the Pennichuck Water Company due to the increased cost of developing new water sources, including testing, financing, notice and hearing costs, the cost of real estate, and the costs of well housing and equipment, as well as expenses associated with the new procedures outlined in the rules and regulations required by the DES. The Petitioners anticipate improvement costs of between \$165,000 and \$300,000.

Finally, the Petitioners note that Lancaster is a separate satellite company located in Salem, New Hampshire, which serves a fixed number of homes in a development.

B. Staff

Staff takes no position at this time on the petition and suggests a period of discovery prior to making any recommendation to the Commission. Staff indicated it had questions regarding the manner in which books and financial records are currently kept and will in the future be maintained, as well as questions regarding the proposed savings of the merger to customers.

Staff pointed out, however, that there was no testimony attached to the Petition and therefore proposes the Petitioners

appropriately file testimony.

III. PROCEDURAL SCHEDULE

Following the Prehearing Conference, the Companies and Staff met in a Technical Session to discuss a procedural schedule for completing the case. The following schedule was agreed upon and recommended to the Commission by letter from Staff dated November 29, 2001.

Testimony from the Companies	December 20, 2001
Data Requests to the Companies	January 10, 2002
Data Responses from the Companies	January 24, 2002
Settlement Conference	February 11, 2002
Submission of Settlement Agreement	February 19, 2002
(or request for revised schedule)	

IV. COMMISSION ANALYSIS

We have reviewed the petition of the Companies. Pursuant to RSA 374:30, a "public utility may transfer . . . its franchise, works or system . . . when the commission finds that it will be for the public good." Thus, the Commission's permission is required under this provision if the transfer involves a surrender of control of operation. Re Great Bay Water Company, Inc., 83 NH PUC 575 (1998).

The Commission agrees with Staff that testimony from the Petitioners is an important component to this docket and therefore orders the Companies to submit testimony which includes information that addresses the question of whether the merger would be in the public good. Staff may, if it deems necessary, propound data requests to the Petitioners following submission of testimony.

Additionally, the applicable law governing this docket is RSA 374:30, which does not require a hearing before the Commission. The Commission may, by general order, authorize a public utility to transfer to another public utility its physical assets. The Commission will accept the recommendation of the parties of the procedural schedule for this docket that includes a provision for the opportunity to revise the schedule and have a hearing in the event settlement is not reached.

Based upon the foregoing, it is hereby

ORDERED, that the procedural schedule as proposed herein is reasonable and is hereby adopted.

By order of the Public Utilities Commission of New
Hampshire this seventh day of December, 2001.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary